

Message Text

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12

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 COME-00 TRSE-00 OMB-01 FEA-02

INT-08 STR-08 CIEP-03 CIAE-00 INR-11 NSAE-00 RSC-01

PA-04 PRS-01 USIA-15 DRC-01 /078 W

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R 200845Z SEP 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4722

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E.O. 11652: N/A

TAGS: EIND, ETRD, JA

SUBJECT: JAPANESE STEEL INDUSTRY

SUMMARY: DESPITE WORSENING COKING COAL SUPPLY SITUATION MITI INTENDS TO CONTINUE PUSHING STEEL INDUSTRY TO ACHIEVE ORIGINALLY ESTABLISHED FY 74 CRUDE STEEL PRODUCTION TARGET OF 120 MILLION MT AND WILL ANNOUNCE APPROVAL SEPT. 30 OF CONSTRUCTION OF THREE NEW BLAST FURNACES. MITI SUPPLY-DEMAND ESTIMATES FOR FY'S 1976, 1978, 1980, AND 1985 NOW COMPLETE. END SUMMARY.

1. IRON AND STEEL ADMINISTRATION SECTION, MITI, DENIED RECENT PRESS REPORTS THAT MITI HAS AGREED TO REDUCE BY 74 CRUDE STEEL PRODUCTION TARGET BY 10 MILLION MT AND TO PROVIDE GUIDELINES TO STEEL INDUSTRY TO REFRAIN FROM SPOT PURCHASES COKING COAL AT OVER \$80 PER MT. ACCORDING TO MITI OFFICIAL, MINISTRY INTENDS TO KEEP PRESSURE ON STEEL MANUFACTURERS TO MEET ORIGINAL 120 MILLION MT GOAL FOR FY74 AND QTE DOES NOT ENTIRELY AGREE UNQTE WITH OPINIONS OF SEVERAL INDUSTRY LEADERS THAT DECREASE IN PRODUCTION PREFERABLE TO CONTINUED FRANTIC COMPETITION FOR SCARCE SUPPLIES OF COKING COAL (EXPECTED TO BECOME EVEN TIGHTER IF U.S. MINERS STRIKE OCCURS), PRICE OF WHICH REACHED \$100 PER MT IN SOME RECENT SPOT TRANSACTIONS.

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2. CURRENT MITI CRUDE STEEL PRODUCTION FIGURES AND ESTIMATES FOR CY 1974 ARE:

1ST QUARTER	29 MILLION MT
2ND QUARTER	29.6 MILLION MT
3RD QUARTER	29.7 MILLION MT
4TH QUARTER	29.8 MILLION MT

TOTAL	118.1 MILLION MT
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3. MITI OFFICIAL CONFIRMED THAT APPROVAL WILL BE ANNOUNCED SEPT. 30 FOR CONSTRUCTION OF THREE NEW BLAST FURNACES AND FOR FY74 CONSTRUCTION EXPENDITURES FOR THEM TOTALING 5,000 MILLION YEN (\$16-17 MILLION). MITI CONSIDERS FIGURES SMALL ENOUGH TO BE ACCOMMODATED WITHIN GOJ'S ANTI-INFLATIONARY GUIDELINES AND FEARS THAT INFLATIONARY STEEL SHORTAGE WILL DEVELOP BY 1976-77 IF CONSTRUCTION NEW FURNACES, WHICH REQUIRES ABOUT 2 YEARS TO COMPLETE, NOT BEGUN SOON. HOWEVER, MITI EXPECTS ANNOUNCEMENT TO BRING PRESSURES FROM OTHER INDUSTRIES ANXIOUS TO RESUME CAPITAL INVESTMENT AND ABLE TO OFFER SIMILAR JUSTIFICATIONS FOR CAPACITY EXPANSION. SUMITOMO METALS WILL RECEIVE PERMISSION TO BEGIN CONSTRUCTION BLAST FURNACE NO. 3 AT KASHIMA WORKS IN OCTOBER. CONSTRUCTION KAWASAKI STEEL'S FURNACE NO. 6 AT CHIBA PLANT AND KOBE STEEL'S FURNACE NO. 3 AT KAKOGAWA PLANT WILL BE APPROVED BEGINNING DEC. 1. MITI PREDICTS DELAYS FOR ALL THREE IN ORDER TO COMPLETE NEGOTIATIONS RE POLLUTION PROBLEMS WITH LOCAL GOVERNMENTS AND THUS DOUBTS THAT FULL AMOUNT OF FUNDS APPROVED FOR FY74 WILL BE PENT.

4. ACCOMPANYING SEPT 30 BLAST FURNACE CONSTRUCTION ANNOUNCEMENT MITI ALSO WILL RELEASE CRUDE STEEL DEMAND ESTIMATES 135 MILLION MT FOR FY1976 AND 151 MILLION MT FOR FY1978 TO JUSTIFY IMMEDIATE CONSTRUCTION OF NEW FURNACES EACH WITH CAPACITY 4 MILLION MT. (CURRENT PRODUCTION CAPACITY IS 125 MILLION MT PER YEAR.) REPORT RELEASED SEPT. 13, 1974, BY INDUSTRIAL STRUCTURE DELIBERATION COUNCIL, ADVISORY GROUP TO MITI, CONTAINS FOLLOWING LIMITED OFFICIAL USE

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LONG-TERM STEEL FORECASTS (UNIT MILLION MT):

	DEMAND		SUPPLY	
	DOMESTIC EXPORT		DOMESTIC IMPORTS	
	PRODUCTION			
1980	118.1	45.9	162	2

1985 159.8 21.2-26.2 173-178 8

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, INDUSTRY, PRODUCTION, COAL, CONSTRUCTION, FURNACES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO12281
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740264-0699
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740925/aaaaavga.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 JUL 2002 by martinml>; APPROVED <11 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPANESE STEEL INDUSTRY SUMMARY: DESPITE WORSENING COKING COAL SUPPLY SITUATION MITI
TAGS: EIND, ETRD, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005